

Message Text

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PAGE 01 EC BRU 00180 091821Z

64

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PASS AGRICULTURE

E.O. 11652: NA

TAGS: EAGR, ETRD, EEC

SUBJECT: EC SUGAR SITUATION FOR 1974/75 SEASON

REF: (A) STATE 279327 OF 12/20/74; (B) EC BRUSSELS 9661 OF 12/9/74;

(C) EC BRUSSELS 8274 OF 10/23/74; (D) EC BRUSSELS 10081

OF 12/20/74;

(E) EC BRUSSELS 10044 OF 12/19/74

1. BEGIN SUMMARY: THE EC WILL NOT BE AN EXPORTER OF SUGAR DURING THE FIRST NINE MONTHS OF 1975 DUE TO LAST FALL'S POOR SUGARBEET CROP. LATEST COMMISSION ESTIMATES INDICATE THAT FOR THE 1974/75 SUGAR SEASON THE EC MIGHT HAVE TO IMPORT UP TO 2 MILLION TONS TO MEET ITS SUGAR DEFICIT. HOWEVER THE COMMISSION IS WORKING ON MEASURES WHICH IF IMPLEMENTED WOULD INCREASE AVAILABLE EC SUGAR SUPPLIES FOR THE COMMUNITY MARKET AND BRING DOWN THE EC IMPORT FIGURE TO 1.6 MILLION M.T. THE COMMISSION HAS ANNOUNCED THE RESULTS OF THE LATEST BIDS FOR SUBSIDIZING SUGAR IMPORTS. IN THE MEANTIME NEGOTIATIONS BETWEEN THE EC AND THE ACP SUGAR PRODUCING COUNTRIES CONTINUE IN LONDON AND BRUSSELS THIS WEEK AIMED AT FINAL AGREEMENT ON THE EC OFFER FOR ACP SUGAR INCLUDING THE SUPPLEMENT TO BE PAID FOR UK SUGAR IMPORTS THIS YEAR. END SUM-

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PAGE 02 EC BRU 00180 091821Z

MARY.

2. MISSION OFFICER TALKED WITH EC COMMISSION SUGAR DIVISION DIRECTOR DIETER GRUPE JANUARY 9, 1975 ABOUT EC SUGAR OUTLOOK FOR THE 1975/75 SEASON. HE CONFIRMED THAT UNTIL THE SUGAR-BEET HARVEST OF THE NEXT SEASON, THE EC WOULD NOT BE IN A POSITION TO EXPORT WHITE SUGAR. GRUPE GAVE THE LATEST COMMISSION ESTIMATES FOR SUPPLIES AND DISTRIBUTION, WHICH ARE AS FOLLOWS IN WHITE SUGAR EQUIVALENTS. FOR THE PERIOD OCTOBER 1974-SEPTEMBER 1975 BEGINNING STOCKS WERE 338 THOUSAND MT. AND EC PRODUCTION IS NOW ESTIMATED AT 8.5 MILLION MT. PRESENT IMPORT COMMITMENTS FOR THE SEASON ARE AROUND 0.6 MILLION MT. (THIS INCLUDES AROUND 568 THOUSAND M.T. UNDER THE NOW EXPIRED COMMONWEALTH SUGAR AGREEMENT FOR OCTOBER 1-FEBRUARY 28 DELIVERY, AND 17,000 FROM EAST GERMANY). IN ORDER TO MEET ESTIMATED EC CONSUMPTION OF 10.2-10.3 MILLION M.T. AND END WITH STOCKS OF 519 THOUSAND, THE EC MUST IMPORT ANOTHER 1.4 MILLION M.T. THE COMMISSION HOPES THAT BY IMPLEMENTING A NUMBER OF MEASURES IT IS CONSIDERING TO INCREASE DOMESTIC SUPPLIES AVAILABLE FOR THE COMMUNITY MARKET, THIS LATTER 1.4 MILLION FIGURE CAN BE BROUGHT DOWN TO ONE MILLION, (REF B).

3. THE COMMISSION IS DISCUSSING THE POSSIBILITY OF PROPOSING A PREMIUM TO ENCOURAGE THE EXTRACTION OF SUGAR FROM MOLASSES, A RATHER EXPENSIVE PROCESS WHICH WOULD REQUIRE HEAVY SUBSIDIZATION UNDER PRESENT CIRCUMSTANCES. IF IMPLEMENTED, THIS WOULD RECOVER ONLY 30-40 THOUSAND M.T. OF SUGAR ACCORDING TO OPTIMISTIC ESTIMATES.

4. MORE IMPORTANTLY, THE COMMISSION IS CONSIDERING PROPOSING A PREMIUM TO ENCOURAGE EARLY DELIVERY OF SUGAR BEETS, THAT IS BEFORE THE USUAL OCTOBER HARVESTING. IT BELIEVES THAT SUCH A MEASURE COULD BRING MORE THAN 300,000 M.T. OF SUGAR FOR THE EC MARKET BY THE MIDDLE OF SEPTEMBER, 1975.

5. LAST OCTOBER, THE EC COUNCIL AGREED TO THE SO-CALLED LARDINOIS PLAN TO SUBSIDIZE SUGAR IMPORTS AT THE THRESHOLD PRICE LEVEL, PRIMARILY FOR THE UK'S BENEFIT (REF C). THIS PLAN WAS LIMITED INITIALLY TO 200 THOUSAND MT., OF WHICH ABOUT 100 THOUSAND WAS COMMITTED IN DECEMBER. ON JANUARY 8, 1975 THE COMMISSION ANNOUNCED THAT IT HAD ACCEPTED BIDS FOR THE MAXIMUM LIMITED OFFICIAL USE

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PAGE 03 EC BRU 00180 091821Z

IMPORT SUBSIDY LEVEL ON 55,200 M.T. THE BULK OF THIS SUGAR (40,000) WILL GO TO THE UK WITH THE REMAINDER DESTINED FOR BELGIUM, GERMANY, AND IRELAND. THE MAXIMUM SUBSIDY FIXED BY THE COMMISSION IS 396.44 U.A./M.T. THIS IS A DECREASE FROM THE PREVIOUS MAXIMUM SUBSIDY LEVEL OF 420 U.A./M.T. ACCEPTED LAST DECEMBER (REF D). TENDERS FOR THE SUBSIDY ON THE REMAINING 42,800 M.T. OF SUGAR WILL BE DECIDED ON NEXT WEEK.

7. THE COMMISSION IS FAIRLY SATISFIED WITH THE WAY THE SYSTEM HAS WORKED, WHEREBY TRADERS BID FOR THE IMPORT SUBSIDY AND RECIEVE THE RIGHT TO EXPORT AN EQUIVALENT AMOUNT OF THE EC'S SUGAR NEXT SEASON WITH NO LEVY. THEY HAD HOPED, HOWEVER, THAT THE BIDS WOULD HAVE BEEN LOWER THAN THOSE RECEIVED BUT ARE HOPEFUL THAT FUTURE BIDS WILL GO DOWN AS THE NEW SEASON APPROACHES AND TRADERS HAVE A CLEARER IDEA OF NEXT YEAR'S MARKET. TRADERS HAD BEEN CAUTIONS AS A RESULT OF UNCERTANTY OVER FUTURE SUGAR PRICES COMPOUNDED BY THE COLLAPSE OF THE PARIS SUGAR FUTURES MARKET.

7. GRUPE EXPECTS THAT THE UK WILLBRING UP THE ISSUE OF SUBSIDIZING MORE IMPORTS AT THE JANUARY 20-22 COUNCIL MEETING. IN LIGHT OF THE COST OF SUBSIDIZING THIS FIRST TRANCHE OF 200 THOUSAND M.T. (SO FAR AROUND 65 MILLION U.S.), THE GERMANS CAN BE EXPECTED TO BALK AT CONTINUING THIS SUBSIDIZATION. HOWEVER, IF FURTHER SUBSIDIZATION IS AGREED UPON, GRUPE EXPECTS THAT THE COMMISSION WILL CONTINUE TO OPERATE THE SCHEME AS IT HAS FOR THE FIRST TRANCHE.

8. ON THE ISSUE OF THE NEGOTIATIONS WITH THE ACP COUNTRIES FOR SUGAR, GRUPE WOULD SAY NO MORE THAN THAT THE COMMUNITY STANDS ON ITS OFFER OF THE COMMUNITY PRICE FOR THE LONG-TERM, WITH THE POSSIBILITY OF ALLOWING THE UK TO OFFER A SUPPLEMENT, SUBJECT TO COMMISSION APPROVAL, TO ASSURE ITS SUPPLIES THIS YEAR. THE COMMISSION EXPECTS THAT IN THE EVENT AN ACP SUGAR AGREEMENT IS SIGNED, AROUND 400-500 THOUSAND M.T. WILL ENTER UNTIL THIS AGREEMENT FOR THE JANUARY-SEPTEMBER, 1975 PERIOD.

9. MINISTERS FROM THE ACP SUGAR PRODUCING COUNTRIES ARE MEETING WITH UK GOVERNMENT AND TRADE OFFICIALS IN LONDON JANUARY 9 AND 10 IN AN ATTEMPT TO REACH AGREEMENT ON THE SUPPLEMENT TO BE PAID FOR 1975 SUGAR GOING TO THE UK (REFTEL E). THE ACP SUGAR LIMITED OFFICIAL USE

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PAGE 04 EC BRU 00180 091821Z

DELEGATION WILL THEN MOVE TO BRUSSELS ON THE WEEKEND FOR MEETINGS WITH THE COMMISSION TEAM, HEADED BY COMMISSIONERS CHEYSSON AND LARDINOIS, TO TRY TO CONCLUDE THE SUGAR ARRANGEMENT. THIS WILL BE FOLLOWED BY THE FINAL EC/ACP MINISTERIAL IN BRUSSELS, JANUARY 13 AND 14. GREENWALD

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